

Message Text

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ORIGIN XMB-04

INFO OCT-01 EA-07 ISO-00 TRSY-02 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /054 R

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EA/ANP:HNELSON

EB/JFD/ODF:FTHOMAS

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R 222238Z AUG 75

FM SECSTATE WASHDC

TO AMCONSUL PORT MORESBY

INFO AMEMBASSY CANBERRA

C O N F I D E N T I A L STATE 200678

E.O. 11652: GDS

TAGS: EFIN, BEXP, PP

SUBJ: EXIMBANK LENDING IN PNG

REF: PORT MORESBY 797 AND 823

1. EXIMBANK APPRECIATES TIMELY REQUEST FOR INFO AND OPPORTUNITY
TO CLARIFY BANK'S ATTITUDE TOWARD LENDING IN PNG.

2. ALTHOUGH EXIMBANK IS OPEN FOR BUSINESS IN PNG, THE BANK'S
ATTITUDE TOWARD NEW LENDING AT THIS TIME IS ONE OF CONSIDERABLE
CAUTION. THIS ATTITUDE IS DUE TO CURRENT DIFFICULT COUNTRY
CONDITIONS AND THE POSSIBILITY OF CONSIDERABLE POST-INDEPENDENCE
UNREST. THE BANK'S LEGISLATION STATES THAT EXIM CAN SUPPORT
U.S. EXPORTS ONLY WHEN THERE IS "REASONABLE ASSURANCE OF
REPAYMENT". INFO ON EXIMBANK'S LEGISLATION AND PROGRAMS WILL
BE SENT BY POUCH.

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3. IN VIEW OF CURRENT EXIMBANK CAUTION CONCERNING NEW COVER IN PNG, SUGGEST (1) E/C OFFICER NOT RPT NOT ENCOURAGE USE OF EXIM FACILITIES IN PNG UNTIL POST-INDEPENDENCE PICTURE BECOMES CLEARER; AND (2) ENCOURAGE THE USE OF OUTSIDE-THE-COUNTRY GUARANTEE WHERE APPLICABLE. THAT IS, SUGGEST TO PERSONS INTERESTED IN EXIMBANK FACILITIES THAT A REPAYMENT GUARANTEE OUTSIDE PNG FROM AN ACCEPTABLE BANK OR AN ASSOCIATED ORGANIZATION WOULD BE VERY HELPFUL IN GETTING EXIM APPROVAL. IN RECENT DISCUSSIONS WITH BOUGAINVILLE COPPER CONCERNING FINANCING FOR ADDITIONAL EQUIP EXIM REQUESTED AN OUTSIDE-THE-COUNTRY GUARANTEE.

4. REGARDING SPECIFIC CASES, EXIMBANK UNDERSTANDS AMCONSUL'S SENSITIVE RELATIONS WITH NEWLY FORMED GOVT, BUT EXIM NOT LIKELY TO AUTHORIZE SUBSTANTIAL CREDITS TO GOVT OR GOVT AGENCY UNTIL STABILITY AND CREDITWORTHINESS OF GOVT CLEAR. LARGE PRIVATE PROJECTS, PARTICULARLY IN POLITICALLY-SENSITIVE RESOURCE EXTRACTION FIELD, WOULD REQUIRE EXTRA-ORDINARY FINANCIAL STRENGTH TO RECEIVE EXIM APPROVAL AT THIS TIME.

5. BACKGROUND DATA ON PAST EXIM LENDING TO BOUGAINVILLE COPPER IS AS FOLLOWS: AN EXIMBANK LOAN OF DOL23.4 MILLION AND FINANCIAL GUARANTEE OF DOL20.4 MILLION WAS AUTHORIZED MAR 1970 AND INCREASED IN MARCH 1971 AND JAN 1973 TO TOTAL OF DOL63.5 MILLION CONSISTING OF DOL33.4 MILLION DIRECT LOAN AND DOL30.1 MILLION FINANCIAL GUARANTEE. NO ADDITIONAL GUARANTORS WERE REQUIRED. REPAYMENT IS NOW UNDERWAY AND PAYMENTS HAVE BEEN PROMPT. CURRENT EXIMBANK EXPOSURE IS DOL36.0 MILLION. CURRENT BOUGAINVILLE OBLIGATION TO EXIM SCHEDULED FOR REPAYMENT IN EARLY 1978. ROBINSON

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Margaret P. Grafeld
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